

**GODFREY-LEE
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2005

GODFREY-LEE PUBLIC SCHOOLS
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For the year ended June 30, 2005

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

August 19, 2005

The Board of Education
Godfrey-Lee Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005 on our consideration of Godfrey-Lee Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Godfrey-Lee Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

As management of the Godfrey-Lee Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2005</u>	<u>2004</u>
Assets		
Current assets	\$ 5,348,560	\$ 4,090,908
Net capital assets	<u>15,901,358</u>	<u>16,409,304</u>
Total Assets	<u>21,249,918</u>	<u>20,500,212</u>
Liabilities		
Current liabilities	1,679,889	1,485,740
Long-term liabilities	<u>15,297,514</u>	<u>15,326,362</u>
Total Liabilities	<u>16,977,403</u>	<u>16,812,102</u>
Net Assets		
Invested in capital assets, net of related debt	946,686	632,322
Restricted	177,081	140,163
Unrestricted	<u>3,148,748</u>	<u>2,915,625</u>
Total Net Assets	<u>\$ 4,272,515</u>	<u>\$ 3,688,110</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

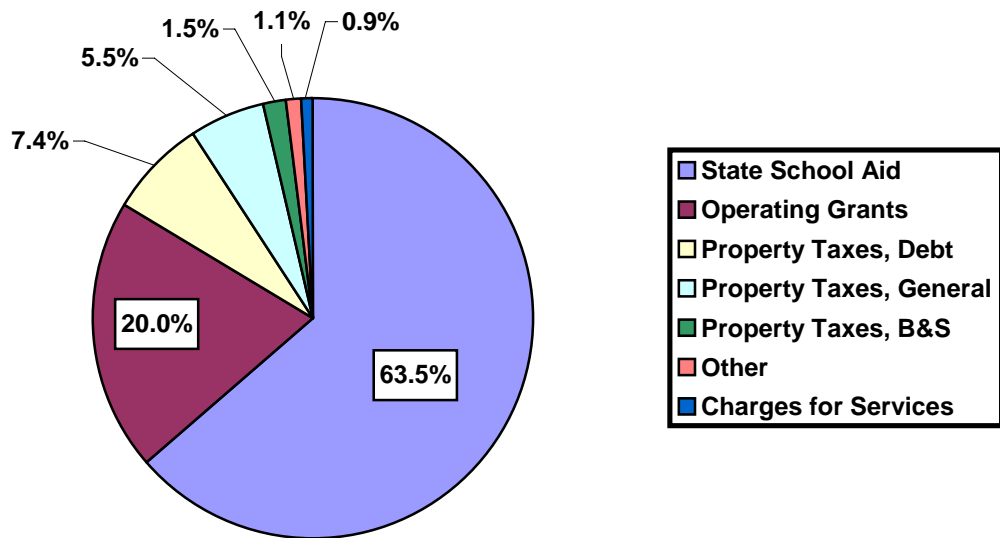
The Statement of Activities presents changes in net assets from operating results:

	2005	2004
Program Revenues		
Charges for services	\$ 147,390	\$ 143,403
Operating grants	3,190,412	2,939,327
General Revenues		
Property taxes	2,290,746	2,213,239
State school aid, unrestricted	10,114,639	9,855,833
Interest earnings	92,028	16,820
Gain on sale of capital assets	37,587	
Other	50,034	8,025
Total Revenues	15,922,836	15,176,647
Expenses		
Instruction	9,367,904	9,417,235
Supporting services	4,628,109	3,963,086
Community services	19,078	22,225
Food service	605,285	486,117
Athletics	258,231	243,767
Other	16,638	55,216
Interest expense	443,186	753,447
Total Expenses	15,338,431	14,941,093
Increase in net assets	584,405	235,554
Net Assets - Beginning of Year	3,688,110	3,452,556
Net Assets - End of Year	\$ 4,272,515	\$ 3,688,110

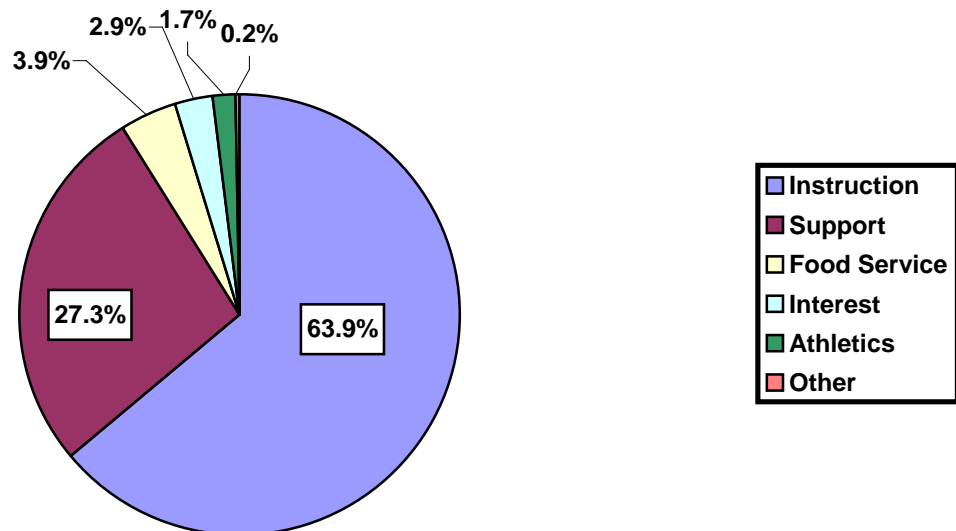


GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Revenues by Source-All Funds



Expenses by Category-All Funds





GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in grants, categorical funding and student count were significant contributors to revenue increases.

The District's total revenues increased by 4.9% to \$15.9 million. Unrestricted State Aid accounted for 63.5% of the revenues, while property taxes amounted to 14.5% of the revenues. Another 20% came from state and federal aid for specific programs and the remainder from miscellaneous sources.

The total cost of all programs and services rose 2.65% to \$15.3 million. The District's expenses are predominantly related to staff salaries and benefits which amount to 81.1% of the total. Health insurance costs increased by 13.1% and retirement costs paid to the State of Michigan increased by 12.1%. The other significant contributors to higher costs were salary (including step) increases, staff additions and supply needs for added classrooms due to increased student counts. Utility costs also continue to rise due to increased costs from the vendors, not necessarily increased usage.

Revenues surpassed expenses by \$584,405 on the Statement of Activities due mostly to increased student counts over budgeted projections.

The recent good health of the District's finances can be attributed mostly to student count growth due to changes in neighborhood demographics. This demographic factor also contributes to an increase in free lunch counts, which help the District qualify for greater categorical assistance for at-risk students at all levels.

- Budgets for 2004-05 were based on no change in student fall count from the prior year which created a 25/75 blend of 1,559.88 full-time equivalent students for budget purposes. Actual blended count for the year was 1,589.92, which brought an additional \$170,000 in revenue over original budgeted amounts.
- Categoricals and other grants were budgeted at prior year amounts but most increased slightly from the previous year. The District staff worked very hard to identify as many free lunch qualifiers as possible which resulted in increases in some categorical. Of particular note in this regard was an increase in Act 18 County Special Education Millage of \$273,944, which included additional funding due to a 1 mill increase passed by the voters in the spring of 2004.
- The District received State and Federal Title monies to help with the education of its increasing number of ESL students totalling \$91,941.
- A state aid proration of \$115,000 was anticipated in the original budget but did not occur resulting in a budget increase in revenue of that amount.
- Special education tuition and transportation for center and regional programs were under the budgeted amount by \$67,238.

Collaboration with the surrounding districts continued to occur to help reduce expenditures in many areas. Utilization of reimbursement programs for schools was also at an all time high which reduced costs in many areas.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

- The six school districts in the southwest region of Kent County continued to work on ways to combine services where possible. All six districts joined the effort from the prior year to transport technical center students together and to work together on combined trips where possible in other areas. There are also collaborative efforts working to reduce costs on bus maintenance, storage and fuel related costs.
- The District increased its utilization of the Universal Service Fund to get rebates on services related to voice and data communication. This now includes telephone service, cellular phone service and internet connectivity.
- The administration will work with other districts to continue this effort for 2005-2006. It is also the intent of the District to improve on the use of the Universal Service Fund program with hopes to expand into the area of equipment rebates for data infrastructure.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Godfrey-Lee Public School's funds are described as follows:

Major Fund

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$13,985,149, total expenditures of \$13,573,972, and total other financing uses of \$169,995. It ended the fiscal year with a fund balance of \$3,040,633, up from \$2,799,451 as of June 30, 2005 for an increase of \$241,182. This was primarily due to increases in student counts, categorical funding and grants.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service and Athletic Funds. Total revenues and other financing sources (inter-fund transfers) of the Special Revenue Funds were \$763,265, with total expenditures of \$777,931. The ending fund balances were \$186,012 for Food Service and \$8 for Athletics.

Debt Service Funds

The District operates three Debt Service Funds. Total revenues were \$1,234,787 with total expenditures of \$1,097,082. Total other financing sources from refinancing were \$11,527,264 with related expenditures of \$11,562,973. The ending fund balance in the Debt Service Funds was \$192,699.

Capital Projects Fund

There is one Capital Project Fund incorporated into the financial statements of the District, the Building and Site Sinking Fund which had total revenues of \$240,695 and total expenditures of \$192,262 resulting in a \$85,565 fund balance. This was due to planned expenditures on District facilities and classroom needs to accommodate increased numbers of students and program improvements.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget three times. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Expenditure changes due to updated staffing from the June budget estimate, classroom expenditure needs, technology upgrades and others.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$76,702, the actual results for the year show a \$241,182 surplus.

- Actual revenues were \$23,919 less than expected due to a combination of grant funds being carried over to next year and revenue received late in the year that was not budgeted.
- Actual expenditures were \$179,099 less than expected mainly due to reductions in special education tuition and transportation and unspent line items in specific budgets.
- The sale of the old administration building for \$160,000 is recorded as designated fund balance for future supplies, materials and technology improvements.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had \$19,955,649 invested in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

The District's fiscal year 2005-2006 budget projects spending another \$200,000 for capital projects principally in the areas of:

- Infrastructure repair and renovation
- Purchase and renovation of building(s)

At June 30, 2005, the District's investment in capital assets (net of accumulated depreciation), was \$15,901,358. Capital asset purchases totaled \$80,542 for the fiscal year with accumulated depreciation increasing \$466,075. A building was sold with a net value of \$122,413, leaving a net reduction in the book value of capital assets of \$507,946.

Land	\$ 618,754
Land improvements	885,020
Buildings and additions	14,222,591
Furniture and equipment	106,830
Vehicles	56,508
Assets under capital leases	<u>11,655</u>
Total Capital Assets	<u><u>\$ 15,901,358</u></u>

Long-Term Debt

At year end, the District had \$15.9 million in general obligation bonds and other long-term debt outstanding.

- The District continued to pay down its debt from the 1997 and 2003 bond issues and capital lease agreements as well as paying off the energy conservation debt.
- The District did not have to borrow from the State School Bond Loan Program to supplement local tax levies for bond debt service payments this year.
- The District was able to refinance the 1997 bond issue to save taxpayers approximately \$830,000 over the life of the debt.

The District's bond rating for General Obligation, Unlimited Tax debt is "Aaa/Aa2". The District's other obligations include staff related retirement incentives, capital leases payable and school bond loan fund. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District's proximity between Grand Rapids and Wyoming makes it a totally market driven district which must have the breadth of program and updated infrastructure to compete in this age of choice in schools.
- A new three year agreement with bargaining units was approved in August 2005 calling for 1.75%-1.85% annual increases plus step costs. It also provides fully paid health insurance utilizing MESSA Choices II PPO as the standard plan with the option to contribute to the cost of MESSA SuperCare I. The intent of this was to provide stability during uncertain financial times allowing the District to concentrate on improved academics.
- The No Child Left Behind Legislation and its effect on districts with large minority populations will impact the ability to show adequate yearly progress and contribute to increased budgetary stress.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Godfrey-Lee Public Schools, 963 Joosten SW, Wyoming, MI, 49509. Contact by e-mail: rc laxton@godfrey-lee.k12.mi.us.

BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash (Note B)	\$ 350
Cash equivalents (Note B)	398,996
Deposits (Note B)	500,635
Investments (Note B)	1,197,864
Taxes receivable (Note C)	33,782
Accounts receivable	190,349
Due from other governmental units (Note C)	2,178,729
Accrued interest receivable	1,254
Inventory (Note A)	5,313
Prepaid expenses	841,288
Total Current Assets	<u>5,348,560</u>
Noncurrent Assets	
Capital assets (Note E)	19,955,649
Less accumulated depreciation	(4,054,291)
Total Noncurrent Assets	<u>15,901,358</u>
Total Assets	<u>21,249,918</u>
Liabilities	
Current Liabilities	
Accounts payable	153,926
Due to other governmental units	209,717
Accrued interest payable	101,183
Salaries payable	601,055
Deferred revenue	3,875
Current portion of long term obligations	610,133
Total Current Liabilities	<u>1,679,889</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	13,215,000
Durant non-plaintiff bonds payable	199,736
State school bond loan payable	1,821,224
Capital leases payable	15,133
Early retirement incentive	12,240
Accumulated sick leave	64,447
Total Noncurrent Liabilities	<u>15,297,514</u>
Total Liabilities	<u>16,977,403</u>
Net Assets	
Invested in capital assets, net of related debt	946,686
Restricted for:	
Debt service	91,516
Capital projects	85,565
Unrestricted	3,148,748
Total Net Assets	<u><u>\$ 4,272,515</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 9,367,904	\$ 17,545	\$ 2,572,874	\$ (6,777,485)
Supporting services	4,628,109	-	159,542	(4,468,567)
Community services	19,078	-	-	(19,078)
Food service	605,285	111,916	457,996	(35,373)
Athletics	258,231	17,929	-	(240,302)
Other	16,638	-	-	(16,638)
Interest expense	443,186	-	-	(443,186)
Total Governmental Activities	\$ 15,338,431	\$ 147,390	\$ 3,190,412	(12,000,629)
General Revenues				
Taxes:				
Property taxes, levied for general operations				875,060
Property taxes, levied for debt service				1,177,691
Property taxes, levied for capital improvements				237,995
State school aid, unrestricted				10,114,639
Interest and investment earnings				92,028
Gain on sale of capital assets				37,587
Other				50,034
Total General Revenues				12,585,034
Change in Net Assets				584,405
Net Assets - Beginning of Year				3,688,110
Net Assets - End of Year				\$ 4,272,515

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash and cash equivalents (Note B)	\$ 350	\$ 398,996	\$ 399,346
Deposits (Note B)	500,635	-	500,635
Investments (Note B)	1,103,933	93,931	1,197,864
Receivables:			
Taxes (Note C)	19,851	13,931	33,782
Accounts	190,349	-	190,349
Due from other governmental units (Note C)	2,174,972	3,757	2,178,729
Accrued interest receivable	1,254	-	1,254
Inventory (Note A)	-	5,313	5,313
Total Assets	<u><u>\$ 3,991,344</u></u>	<u><u>\$ 515,928</u></u>	<u><u>\$ 4,507,272</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 116,213	\$ 37,713	\$ 153,926
Due to other governmental units	209,717	-	209,717
Salaries payable	601,055	-	601,055
Deferred revenue	23,726	13,931	37,657
Total Liabilities	<u>950,711</u>	<u>51,644</u>	<u>1,002,355</u>
Fund Balances			
Reserved for:			
Debt service	-	192,699	192,699
Capital outlay	-	85,565	85,565
Unreserved:			
Designated	160,000	-	160,000
Undesignated, reported in:			
General fund	2,880,633	-	2,880,633
Special revenue funds	-	186,020	186,020
Total Fund Balances	<u>3,040,633</u>	<u>464,284</u>	<u>3,504,917</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,991,344</u></u>	<u><u>\$ 515,928</u></u>	<u><u>\$ 4,507,272</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total governmental fund balances		\$ 3,504,917
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$19,955,649 and accumulated depreciation is \$4,054,291.		
		15,901,358
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		841,288
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(13,775,000)	
Durant non-plaintiff bonds	(199,736)	
State school bond loan	(1,821,224)	
Early retirement incentive	(22,240)	
Accumulated sick leave	<u>(89,447)</u>	(15,907,647)
Accrued interest is not included as a liability in governmental funds.		
		(101,183)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		<u>33,782</u>
Total net assets - governmental activities		<u><u>\$ 4,272,515</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

	General	Nonmajor	Total
Revenues			
Local sources	\$ 1,138,094	\$ 1,609,040	\$ 2,747,134
State sources	11,111,984	34,573	11,146,557
Federal sources	740,465	423,423	1,163,888
Interdistrict sources	994,606	-	994,606
Total Revenues	<u>13,985,149</u>	<u>2,067,036</u>	<u>16,052,185</u>
Expenditures			
Current:			
Instruction	8,631,107	-	8,631,107
Supporting services	4,084,897	-	4,084,897
Food service	-	587,612	587,612
Athletics	-	190,319	190,319
Community services	303	-	303
Capital outlay	-	170,561	170,561
Debt service:			
Principal repayment	-	550,000	550,000
Interest and fiscal charges	-	403,648	403,648
Bond issuance costs	-	101,857	101,857
Underwriter's discount	-	63,278	63,278
Interdistrict	857,665	-	857,665
Total Expenditures	<u>13,573,972</u>	<u>2,067,275</u>	<u>15,641,247</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>411,177</u>	<u>(239)</u>	<u>410,938</u>
Other Financing Sources (Uses)			
Refunding bonds issued	-	11,505,000	11,505,000
Bond premium	-	22,264	22,264
Transfers in	-	171,711	171,711
Other	2,576	-	2,576
Payments to escrow agent	-	(11,562,973)	(11,562,973)
Transfers out	(171,711)	-	(171,711)
Other	(860)	-	(860)
Total Other Financing Sources (Uses)	<u>(169,995)</u>	<u>136,002</u>	<u>(33,993)</u>
Net Change in Fund Balances	241,182	135,763	376,945
Fund Balances, Beginning of Year	<u>2,799,451</u>	<u>328,521</u>	<u>3,127,972</u>
Fund Balances, End of Year	<u><u>\$ 3,040,633</u></u>	<u><u>\$ 464,284</u></u>	<u><u>\$ 3,504,917</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2005

Net change in fund balances - total governmental funds **\$ 376,945**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	Capital outlays	\$ 80,542	
	Depreciation expense	<u>(466,075)</u>	(385,533)

On the Statement of Activities proceeds from the sale of capital assets are replaced by the gain on the transaction. (122,413)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (9,512)

Net bond refunding costs are amortized over the life of the new bond issue on the Statement of Activities. 715,066

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (11,557,404)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of general obligation bonds	11,505,000	
Repayment of energy conservation notes	20,000	
Repayment of capital leases	<u>13,271</u>	11,538,271

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 12,866

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$34,887) exceeded the amounts earned (\$18,768).

16,119

Total changes in net assets - governmental activities

\$ 584,405

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 908,674	\$ 1,103,280	\$ 1,138,094	\$ 34,814
State sources	10,852,695	11,111,820	11,111,984	164
Federal sources	773,803	803,093	740,465	(62,628)
Interdistrict sources	957,532	990,875	994,606	3,731
Total Revenues	13,492,704	14,009,068	13,985,149	(23,919)
Expenditures				
Current:				
Instruction:				
Basic programs	6,375,102	6,633,935	6,601,860	32,075
Added needs	1,887,567	1,921,147	1,870,144	51,003
Adult education services	163,454	163,770	159,103	4,667
Supporting services:				
Pupil services	873,737	437,336	442,823	(5,487)
Instructional staff services	550,049	538,023	522,143	15,880
General administrative services	382,796	419,256	377,889	41,367
School administrative services	657,754	676,193	657,709	18,484
Business services	346,930	300,216	296,349	3,867
Operation and maintenance services	1,205,573	1,278,255	1,347,411	(69,156)
Pupil transportation services	121,819	123,806	112,313	11,493
Central services	222,066	326,366	328,260	(1,894)
Community services	3,485	3,385	303	3,082
Interdistrict	711,065	931,383	857,665	73,718
Total Expenditures	13,501,397	13,753,071	13,573,972	179,099
Excess (Deficiency) of Revenues Over Expenditures	(8,693)	255,997	411,177	155,180
Other Financing Sources (Uses)				
Other	-	-	2,576	2,576
Transfers out	(175,534)	(178,434)	(171,711)	6,723
Other	-	(861)	(860)	1
Total Other Financing Sources (Uses)	(175,534)	(179,295)	(169,995)	9,300
Net Change in Fund Balances	(184,227)	76,702	241,182	164,480
Fund Balances, July 1	2,799,451	2,799,451	2,799,451	-
Fund Balances, June 30	\$ 2,615,224	\$ 2,876,153	\$ 3,040,633	\$ 164,480

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2005

Assets

Cash equivalents (Note B)	<u>\$ 26,286</u>
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Liabilities

Due to student groups	<u>\$ 26,286</u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Note A – Summary of Significant Accounting Policies

Godfrey-Lee Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 1,605 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Godfrey-Lee Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Godfrey-Lee Public Schools has also adopted budgets for its Special Revenue Funds. A school district's

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

General Appropriations Resolution (the “budget”) must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Godfrey-Lee Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2005 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2005, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$22,240 and \$89,447, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Cash Equivalents and Deposits

Depositories actively used by the School during the year are detailed as follows:

1. National City Bank
2. Mercantile Bank
3. Fifth Third Bank
4. Bank One
5. Lake Michigan Credit Union

Balances at June 30, 2005 related to cash equivalents and deposits are detailed on the combined balance sheet as follows:

Governmental Funds	\$ 899,631
Fiduciary Funds	<u>26,286</u>
	<u><u>\$ 925,917</u></u>

Cash equivalents consist of bank and credit union public funds checking, savings and money market accounts and certificates of deposit.

June 30, 2005 balances are detailed as follows:

Cash equivalents	\$ 425,282
Deposits	<u>500,635</u>
	<u><u>\$ 925,917</u></u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation and the National Credit Union Association. At year end, the carrying amount of the District's cash equivalents and deposits was \$925,917 and the bank balance was \$927,539. Of the bank balance, \$320,669 was covered by federal depository and national credit union association insurance and \$606,870 was uninsured.

Investments

As of June 30, 2005 the District had the following investments:

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Bank Investment Pool/Sweep Accounts:		
National City Bank	\$ 1,103,933	\$ 1,402,585
Fifth Third Bank	<u>93,931</u>	<u>93,931</u>
	<u><u>\$ 1,197,864</u></u>	<u><u>\$ 1,496,516</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the bank investment pools were unrated.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Interest Rate Risk

The District's investment policy states "The purpose of the investments is to maximize the returns on the District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments." The District's investment policy also states that maturities do not exceed two (2) years from the date of purchase and that investment contracts are awarded using the District's bidding procedure.

Concentration of Credit Risk

The District's investment policy addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by allowing up to one hundred percent of the available reserves to be invested in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2004 ad valorem State Education Taxes generated within the Godfrey Lee Public School District, and paid to the State of Michigan, totaled \$704,419.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2004 and September, 2004. The 2004-05 "Foundation Allowance" for Godfrey-Lee Public Schools was \$6,866 for 1,590 "Full Time Equivalent" students, generating \$11,121,762 in state aid payments to the District of which \$2,017,674 was paid to the District in July and August, 2005 and included in the General Fund as "Due From Other Governmental Units" at June 30, 2005.

Property taxes for the District are levied July 1 by the City of Wyoming. The taxes are then collected by the City and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General	Debt Service	Building And Site	Total
2004	\$ 6,643	\$ 3,653	\$ 738	\$ 11,034
2003	6,566	4,377	685	11,628
2002	6,642	3,667	811	11,120
	<u>\$ 19,851</u>	<u>\$ 11,697</u>	<u>\$ 2,234</u>	<u>\$ 33,782</u>

Taxes receivable are offset by deferred revenue in the General, Debt Service and Building and Site Funds of the District. Taxes uncollected after three years from the date of levy are written off the books of the District.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Godfrey-Lee Public Schools electors had previously approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2004.

The District levied 9.90 mills in 2004 for debt service purposes and 2.00 mills for the building and site (sinking) fund, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

The General Fund transferred \$171,711 to the Athletics Special Revenue Fund, as budgeted by the Board of Education, to support the District's athletic programs.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balances July 1, 2004	Additions	Deductions	Balances June 30, 2005
Capital assets not depreciated:				
Land	\$ 733,754	\$ —	\$ 115,000	\$ 618,754
Capital assets being depreciated:				
Land improvements	1,433,897	—	—	1,433,897
Buildings and additions	16,704,241	—	23,456	16,680,785
Furniture and equipment	901,105	37,374	—	938,479
Vehicles	182,822	25,669	—	208,491
Assets under capital leases	57,744	17,499	—	75,243
	<u>20,013,563</u>	<u>\$ 80,542</u>	<u>\$ 138,456</u>	<u>19,955,649</u>
Totals at historical cost	<u>20,013,563</u>	<u>\$ 80,542</u>	<u>\$ 138,456</u>	<u>19,955,649</u>

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

	Balances July 1, 2004	Additions	Deductions	Balances June 30, 2005
Less accumulated depreciation for:				
Land improvements	477,966	70,911	—	548,877
Buildings and additions	2,152,489	321,748	16,043	2,458,194
Furniture and equipment	795,171	36,478	—	831,649
Vehicles	135,325	16,658	—	151,983
Assets under capital leases	43,308	20,280	—	63,588
	<u>3,604,259</u>	<u>\$ 466,075</u>	<u>\$ 16,043</u>	<u>4,054,291</u>
Total accumulated depreciation				
	<u>3,604,259</u>	<u>\$ 466,075</u>	<u>\$ 16,043</u>	<u>4,054,291</u>
Net Capital Assets	<u>\$ 16,409,304</u>			<u>\$ 15,901,358</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 329,062
Supporting services	31,996
Community services	19,432
Food service	17,673
Athletics	67,912
	<u>\$ 466,075</u>

Note F – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2005 are summarized as follows:

	Bond Issues	State School Bond Loan	Early Retirement/ Incentive Accumulated Sick Leave	Total
Amounts Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 192,699	\$ —	\$ —	\$ 192,699
Amounts To Be Provided For Retirement Of Long-Term Debt				
State of Michigan	199,736	—	—	199,736
General Fund	—	—	111,687	111,687
Debt Service Funds	13,582,301	1,821,224	—	15,403,525
Total Amounts Available And To Be Provided	<u>\$ 13,974,736</u>	<u>\$ 1,821,224</u>	<u>\$ 111,687</u>	<u>\$ 15,907,647</u>

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Changes in long-term debt for the year ended June 30, 2005 are summarized as follows:

	Debt Outstanding July 1, 2004	Debt Added	Debt Retired	Debt Outstanding June 30, 2005
General obligation bonds:				
June 12, 1997	\$ 12,100,000	\$ —	\$ 11,325,000	\$ 775,000
March 26, 2003	1,675,000	—	180,000	1,495,000
March 10, 2005	—	11,505,000	—	11,505,000
Durant non-plaintiff bonds:				
November 13, 1998	199,736	—	—	199,736
Energy conservation notes:				
February 1, 1996	20,000	—	20,000	—
State school bond loan	1,768,820	52,404	—	1,821,224
Capital leases	13,271	—	13,271	—
Early retirement incentive	27,280	4,480	9,920	22,240
Accumulated sick leave	100,526	13,888	24,697	89,447
	<u>\$ 15,904,633</u>	<u>\$ 11,576,172</u>	<u>\$ 11,573,158</u>	<u>\$ 15,907,647</u>

Long-term bonds, notes and capital leases outstanding at June 30, 2005 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$14,375M Building and Site June 12, 1997:				
Principal maturities from 375M to 400M	May 1, 2007	6.50	\$ 775,000	\$ 350,000
\$1,860M Building and Site March 26, 2003:				
Principal maturities from 175M to 195M	May 1, 2013	2.00 – 3.35	1,495,000	185,000
\$11,505M General Obligation Refunding March 10, 2005:				
Principal maturities from \$60M to \$590M	May 1, 2027	3.0 – 5.0	11,505,000	—
Durant Non-plaintiff Bonds				
\$312,641 School Improvement November 13, 1998:				
Principal maturities from 15M to 75M	May 15, 2013	4.761353	199,736	15,133
			<u>\$ 13,974,736</u>	<u>\$ 575,133</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year \$52,404 of accrued interest was added to the District’s liability to the Fund. At June 30, 2005, the District owed the Fund a total of \$1,821,224.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

The annual requirements to pay principal and interest on long-term bonds, note and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 575,133	\$ 608,805	\$ 1,183,938
2007	670,850	555,691	1,226,541
2008	691,609	523,235	1,214,844
2009	717,400	501,933	1,219,333
2010	794,691	503,253	1,297,944
2011	749,095	451,625	1,200,720
2012	765,003	424,450	1,189,453
2013	775,955	395,048	1,171,003
2014	585,000	364,987	949,987
2015	585,000	335,738	920,738
2016	585,000	306,487	891,487
2017	585,000	283,088	868,088
2018	585,000	259,687	844,687
2019	590,000	235,410	825,410
2020	590,000	211,072	801,072
2021	590,000	185,997	775,997
2022	590,000	160,185	750,185
2023	590,000	134,225	724,225
2024	590,000	107,675	697,675
2025	590,000	81,126	671,126
2026	590,000	54,576	644,576
2027	590,000	27,287	617,287
	\$ 13,974,736	\$ 6,711,580	\$ 20,686,316

On April 13, 2005, the District issued \$11,505,000 in general obligation bonds with an average interest rate of 4.3561414% to advance refund \$10,975,000 of outstanding 1997 general obligation bonds with an effective interest rate of 5.3672266%, resulting in a net present value savings of \$396,154. The net proceeds (\$11,728,107 after the net premium of \$22,264, District contribution of \$200,844 and payment of \$165,135 in underwriting fees, insurance and other issuance costs) were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2007). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$12,106,375 on the defeased debt at June 30, 2005 are detailed in the following schedule:

	Cost	Market Value	Par Value
U.S. Government Securities	\$ 11,280,129	\$ 11,280,129	\$ 11,280,129

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Note G – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2005 was \$7,749,316. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 12.99% for the fiscal year. The District's contributions to the plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$1,137,379, \$1,011,798 and \$988,951, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2003 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$44,769. The MPERS' net assets available for benefits on that date were \$38,726 leaving an unfunded pension benefit obligation of \$6,043. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2004 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,812 from September 30, 2002 to September 30, 2003. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note H – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$650,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$50,344 in premiums to the Trust for the year ended June 30, 2005.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$800,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2005, there were no material pending claims against the District. The District paid \$47,473 in premiums to the Fund for the year ended June 30, 2005.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$ 350	\$ 350
Deposits	500,635	-
Investments	1,103,933	1,459,561
Receivables:		
Taxes	19,851	25,935
Accounts	190,349	800
Due from other governmental units	2,174,972	2,128,117
Accrued interest receivable	1,254	-
Total Assets	<u><u>\$ 3,991,344</u></u>	<u><u>\$ 3,614,763</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 116,213	\$ 9,030
Due to other funds	-	3,511
Due to other governmental units	209,717	177,157
Salaries payable	601,055	567,444
Deferred revenue	23,726	58,170
Total Liabilities	<u>950,711</u>	<u>815,312</u>
Fund Balances		
Unreserved:		
Designated for supplies, materials and technology	160,000	-
Undesignated	2,880,633	2,799,451
Total Fund Balances	<u>3,040,633</u>	<u>2,799,451</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,991,344</u></u>	<u><u>\$ 3,614,763</u></u>

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2005 and 2004

	2005	2004
Local sources:		
Property taxes:		
Current property taxes	\$ 865,748	\$ 832,413
Delinquent property taxes	7,084	9,356
Other property taxes	3,578	1,882
Interest on delinquent taxes	4,734	4,710
	<u>881,144</u>	<u>848,361</u>
Interest earnings:		
Interest on investments	31,947	11,243
Other local revenue:		
Tuition	7,655	2,250
Driver education fees	9,890	5,760
Rental of school facilities	2,660	2,470
Donations	39,306	-
Sale of school property	160,000	-
Refunds of expenditures	-	978
Miscellaneous	5,492	4,577
	<u>225,003</u>	<u>16,035</u>
Total local sources	1,138,094	875,639
State sources:		
State aid	11,110,026	10,910,390
Driver education	-	6,529
School improvement	1,958	1,912
Total state sources	<u>11,111,984</u>	<u>10,918,831</u>
Federal sources:		
Title I	229,627	238,853
Title IIA	82,967	83,289
Title IID	4,926	6,054
Title III	69,514	103,154
Title V	8,907	15,931
Adult basic education	40,000	55,729
I.D.E.A. program	290,121	296,702
Medicaid - school based	1,698	4,948
Drug free schools	6,409	4,264
Homeland security	6,296	-
Total federal sources	<u>740,465</u>	<u>808,924</u>
Interdistrict sources:		
Special education - county	779,589	505,645
Special education - transportation	159,542	120,810
Durant settlement reimbursements	13,518	8,752
Medicaid fee for service	22,425	23,818
Career preparation	18,813	12,811
Other grants	719	-
Total interdistrict sources	<u>994,606</u>	<u>671,836</u>
Total Revenues	<u><u>\$ 13,985,149</u></u>	<u><u>\$ 13,275,230</u></u>

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	\$ 1,678,790	\$ 1,634,367
Teaching assistants	13,176	10,821
Substitutes	50,337	55,937
Severance pay	3,516	1,805
Employee benefits:		
Employee insurance	349,930	309,593
Employee physicals	1,666	2,431
Retirement	254,784	219,609
Social Security	134,395	131,185
Workers' compensation insurance	5,889	4,128
Unemployment compensation	3,455	4,425
Cash in lieu of benefits	10,980	11,700
Instructional services	-	235
Local travel	439	499
Workshops and conferences	4,082	5,482
Telephone	-	3,108
Mailing and postage	-	370
Printing and binding	1,500	1,515
Equipment repair and maintenance	12,514	6,501
Other purchased services	10,458	1,706
Teaching supplies	60,891	59,012
Textbooks	35,310	44,382
Miscellaneous supplies	150	-
New equipment and furniture - depreciable	-	9,744
New equipment and furniture - non depreciable	5,218	1,999
Dues and fees	-	242
Miscellaneous	1,214	1,941
	<u>2,638,694</u>	<u>2,522,737</u>
Middle school:		
Salaries:		
Teachers	953,013	934,589
Substitutes	23,529	28,332
Severance pay	440	-
Employee benefits:		
Employee insurance	194,191	159,758
Retirement	143,288	123,817
Social Security	75,074	73,985
Workers' compensation insurance	3,315	2,347
Unemployment compensation	26	8
Cash in lieu of benefits	4,380	4,200
Local travel	136	274
Workshops and conferences	2,762	1,919
Mailing and postage	-	3,865
Printing and binding	-	300
Equipment repair and maintenance	3,642	4,732
Other purchased services	2,698	2,155
Teaching supplies	22,360	22,560

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Middle school: (Continued)		
Textbooks	\$ 31,569	\$ 31,012
New equipment and furniture - depreciable	-	1,203
New equipment and furniture - non depreciable	827	7,794
Miscellaneous	1,982	881
	<u>1,463,232</u>	<u>1,403,731</u>
High school:		
Salaries:		
Teachers	1,284,287	1,187,157
Teaching assistants	2,152	23,463
Other professionals	44,693	41,613
Substitutes	53,362	37,823
Severance pay	5,115	3,522
Employee benefits:		
Employee insurance	345,603	300,057
Board paid annuities	-	1,497
Retirement	201,858	165,012
Social Security	106,512	99,206
Workers' compensation insurance	6,260	3,731
Unemployment compensation	9,217	245
Cash in lieu of benefits	3,600	3,100
Instructional services	-	1,479
Local travel	649	2,377
Workshops and conferences	4,714	5,744
Pupil transportation	5,400	12,196
Telephone	2,446	10,141
Mailing and postage	-	3,774
Printing and binding	2,980	2,799
Water and sewer	-	497
Waste and trash disposal	-	3,422
Building repair and maintenance	-	700
Equipment repair and maintenance	12,924	26,145
Other purchased services	10,088	810
Teaching supplies	69,562	81,503
Textbooks	31,124	76,159
Heating	-	2,027
Electricity	-	5,456
Gasoline, oil and grease	-	725
Miscellaneous supplies	1,215	3,251
New equipment and furniture - depreciable	-	2,406
New equipment and furniture - non depreciable	5,588	16,704
Dues and fees	725	509
Miscellaneous	864	661
	<u>2,210,938</u>	<u>2,125,911</u>
Preschool:		
Salaries:		
Teachers	147,491	121,933
Teaching assistants	43,101	36,335
Substitutes	3,745	4,601
Employee benefits:		
Employee insurance	36,698	27,193
Board paid annuities	-	2,246

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Preschool: (Continued)		
Employee benefits: (Continued)		
Retirement	\$ 28,894	\$ 21,154
Social Security	15,005	12,460
Workers' compensation insurance	648	377
Cash in lieu of benefits	115	-
Workshops and conferences	1,288	1,103
Telephone	-	600
Mailing and postage	-	200
Other purchased services	3,179	3,172
Teaching supplies	1,290	7,321
Miscellaneous supplies	6,245	2,749
New equipment and furniture	508	-
Miscellaneous	789	392
	<u>288,996</u>	<u>241,836</u>
Total basic programs	6,601,860	6,294,215
Added needs:		
Special education:		
Salaries:		
Teachers	551,674	534,938
Teaching assistants	100,901	102,672
Substitutes	14,968	11,808
Employee benefits:		
Employee insurance	125,454	112,398
Medical reimbursement	13,316	8,432
Retirement	100,772	81,377
Social Security	48,887	52,690
Workers' compensation insurance	2,251	1,545
Cash in lieu of benefits	3,000	3,000
Contracted services	3,801	1,819
Workshops and conferences	2,235	1,552
Mailing and postage	-	50
Other purchased services	1,575	734
Teaching supplies	9,079	8,387
New equipment and furniture - non depreciable	3,633	427
	<u>981,546</u>	<u>921,829</u>
Compensatory education:		
Salaries:		
Director	-	22,845
Counselors	-	87,600
Teachers	371,366	421,341
Instructional consulting	4,502	-
Teaching assistants	203,309	205,310
Substitutes	21,983	7,909
Employee benefits:		
Employee insurance	98,396	102,843
Medical reimbursement	13,543	13,251
Retirement	86,441	92,485
Social Security	46,125	57,375

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Compensatory education: (Continued)		
Employee benefits: (Continued)		
Workers' compensation insurance	\$ 2,127	\$ 1,866
Cash in lieu of benefits	2,193	5,346
Audit services	-	1,000
Local travel	-	41
Workshops and conferences	337	16,169
Other purchased services	1,950	-
Teaching supplies	9,631	10,846
Textbooks	2,499	8,517
Miscellaneous supplies	-	188
New equipment and furniture - non depreciable	3,936	3,190
Miscellaneous	666	82
	869,004	1,058,204
Vocational education:		
Salaries:		
Teachers	1,700	-
Clerical	-	2,500
Employee benefits:		
Retirement	248	325
Social Security	130	191
Workers' compensation insurance	6	10
Local travel	354	233
Workshops and conferences	873	560
Teaching supplies	15,105	10,352
Office supplies	-	86
New equipment and furniture - non depreciable	1,178	1,848
Dues and fees	-	25
	19,594	16,130
Total added needs	1,870,144	1,996,163
Adult education services:		
Basic:		
Salaries:		
Teachers	86,783	81,493
Teaching assistants	9,689	13,973
Substitutes	1,798	3,135
Severance pay	1,095	-
Employee benefits:		
Employee insurance	10,685	14,341
Retirement	14,554	11,646
Social Security	7,820	7,761
Workers' compensation insurance	742	227
Unemployment compensation	173	-
Cash in lieu of benefits	2,850	2,850
Instructional services	65	524
Local travel	30	91
Workshops and conferences	199	95
Pupil transportation	896	900
Telephone	-	2,113
Mailing and postage	-	250

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Basic: (Continued)		
Water and sewer	\$ -	\$ 369
Waste and trash removal	-	649
Building repair and maintenance	-	1,755
Equipment repair and maintenance	1,032	423
Custodial services	-	7,448
Building rental	12,181	12,000
Other purchased services	3,039	-
Teaching supplies	1,139	1,293
Textbooks	165	89
Heating	-	2,281
Electric	-	3,266
Custodial supplies	-	1,024
Office supplies	-	609
Miscellaneous supplies	705	1,087
New equipment and furniture	2,613	3,684
Dues and fees	850	694
	<hr/>	<hr/>
Total adult education services	159,103	176,070
Supporting services:		
Pupil services:		
Attendance services:		
Coordinator salary	37,700	30,993
Employee benefits:		
Employee insurance	8,125	5,930
Board paid annuities	3,581	2,944
Retirement	5,959	4,409
Social Security	2,941	2,432
Workers' compensation insurance	141	82
	<hr/>	<hr/>
	58,447	46,790
Guidance services:		
Salaries:		
Counselors	149,301	48,657
Clerical	25,270	18,020
Employee benefits:		
Employee insurance	46,137	13,389
Retirement	25,513	8,669
Social Security	13,355	5,168
Workers' compensation insurance	555	158
Cash in lieu of benefits	-	864
Testing supplies	808	566
New equipment and furniture	917	-
	<hr/>	<hr/>
	261,856	95,491
Occupational therapist services:		
Occupational therapist salary	-	12,373
Employee benefits:		
Retirement	-	1,607
Social Security	-	947
Workers' compensation insurance	-	30
Miscellaneous supplies	169	105
	<hr/>	<hr/>
	169	15,062

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Psychological services:		
Psychologists salaries	\$ -	\$ 40,917
Employee benefits:		
Employee insurance	-	10,877
Retirement	-	5,315
Social Security	-	3,130
Workers' compensation insurance	-	99
Workshops and conferences	20	-
Miscellaneous supplies	1,891	503
	<u>1,911</u>	<u>60,841</u>
Speech pathology services:		
Speech pathologists salaries	-	110,607
Employee benefits:		
Employee insurance	-	22,610
Retirement	-	14,367
Social Security	-	8,462
Workers' compensation insurance	-	284
Other professional services	-	14,220
Local travel	104	110
Testing supplies	1,027	539
	<u>1,131</u>	<u>171,199</u>
Social worker services:		
Social workers salaries	-	43,208
Employee benefits:		
Employee insurance	-	10,878
Retirement	-	5,612
Social Security	-	3,306
Workers' compensation insurance	-	102
Local travel	122	118
Workshops and conferences	40	-
Supplies and materials	318	296
	<u>480</u>	<u>63,520</u>
Teacher consultant services:		
Teacher consultant salaries	-	65,467
Employee benefits:		
Employee insurance	-	6,222
Retirement	-	8,504
Social Security	-	5,123
Workers' compensation insurance	-	165
Cash in lieu of benefits	-	1,500
Teaching supplies	-	51
	<u>-</u>	<u>87,032</u>
Other pupil services:		
Salaries:		
Teachers	-	1,220
Extra curricular	59,131	77,116
Student services	23,960	29,794
Other temporary	1,770	-
Employee benefits:		
Retirement	12,516	13,889
Social Security	6,429	8,216
Workers' compensation insurance	1,169	234

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Other pupil services: (Continued)		
Pupil services	\$ 13,854	\$ 12,613
Student insurance	-	3,072
	<u>118,829</u>	<u>146,154</u>
Total pupil services	442,823	686,089
Instructional staff services:		
Improvement of instruction:		
Salaries:		
Directors	40,187	39,399
Teachers	-	27,589
Clerical	15,072	15,211
Employee benefits:		
Employee insurance	10,790	12,509
Board paid annuities	3,818	3,743
Retirement	8,569	11,164
Social Security	4,275	6,496
Workers' compensation insurance	190	69
Cash in lieu of benefits	-	2,100
Contracted services	2,615	1,532
Pupil services	3,650	3,561
Other professional and technical	2,891	-
Local travel	250	250
Workshops and conferences	5,110	735
Printing and binding	1,328	7,059
Other purchased services	3,850	3,600
Testing supplies	34,955	24,615
Miscellaneous supplies	-	115
New equipment and furniture	3,194	-
Miscellaneous	167	104
	<u>140,911</u>	<u>159,851</u>
Educational media services:		
Salaries:		
Librarians	38,396	36,006
Teaching assistants	31,980	31,353
Employee benefits:		
Employee insurance	12,402	10,878
Medical reimbursement	2,836	2,506
Retirement	10,367	8,699
Social Security	5,384	5,152
Workers' compensation insurance	226	159
Library books	8,520	7,438
Periodicals	798	1,301
Dues and fees	2,669	2,697
	<u>113,578</u>	<u>106,189</u>
Educational television:		
Equipment repair and maintenance	60	-
Miscellaneous supplies	1,925	-
	<u>1,985</u>	<u>-</u>

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Supervision and direction of instruction:		
Salaries:		
Director	\$ 36,414	\$ 35,700
Other professional	23,411	-
Clerical	107,440	101,497
Other special payments	3,818	-
Employee benefits:		
Employee insurance	38,752	19,482
Board paid annuities	2,003	1,249
Retirement	25,192	18,471
Social Security	13,018	10,744
Workers' compensation insurance	518	132
Cash in lieu of benefits	2,308	1,500
Local travel	1,065	750
Workshops and conferences	759	-
Postage	1,445	-
Equipment repair and maintenance	158	-
Office supplies	2,264	-
Supplies	458	-
New equipment and furniture	6,596	-
Miscellaneous	50	-
	<u>265,669</u>	<u>189,525</u>
Total instructional staff services	522,143	455,565
General administrative services:		
Board of education:		
Salaries:		
Board members	5,460	3,180
Clerical	450	300
Other	-	185
Workers' compensation insurance	-	85
Professional services	17,365	11,311
Legal services	9,863	6,628
Audit services	18,750	19,769
Workshops and conferences	1,403	865
Advertising	2,763	3,454
Public relations	-	133
Printing and binding	4,666	4,450
Other repair and maintenance	565	1,823
Other rentals	2,647	2,994
Election supplies	-	464
Dues and fees	3,058	3,506
Sponsored events	6,678	6,104
Miscellaneous	2,329	1,736
	<u>75,997</u>	<u>66,987</u>
Executive administration:		
Salaries:		
Superintendent	\$ 101,987	\$ 103,261
Clerical	36,283	38,764
Severance pay	31,449	-

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Executive administration: (Continued)		
Employee benefits:		
Employee insurance	\$ 20,202	\$ 20,375
Board paid annuities	8,324	14,456
Tuition reimbursement	-	1,258
Retirement	13,297	20,033
Social Security	10,279	9,943
Workers' compensation insurance	577	344
Unemployment compensation	658	-
Cash in lieu of benefits	750	-
Local travel	1,499	1,766
Workshops and conferences	1,635	1,289
Telephone	-	1,256
Mailing and postage	2,590	2,817
Printing and binding	238	1,366
Newsletter	14,393	16,981
Equipment repair and maintenance	874	2,420
Equipment rental	4,039	-
Police liaison program	48,256	34,887
Office supplies	1,585	2,158
New equipment and furniture - depreciable	-	1,110
New equipment and furniture - non depreciable	700	2,777
Dues and fees	1,825	1,693
Miscellaneous	452	1,086
	<u>301,892</u>	<u>280,040</u>
Total general administrative services	377,889	347,027
School administrative services:		
Office of the principal:		
Salaries:		
Principals	260,418	231,268
Director	-	35,700
Clerical	124,215	128,590
Office aids	28,461	38,787
Severance pay	2,825	-
Employee benefits:		
Employee insurance	90,900	72,264
Tuition reimbursement	10,178	4,000
Board paid annuities	13,363	17,254
Medical reimbursement	2,848	2,958
Retirement	60,967	57,824
Social Security	32,406	33,547
Workers' compensation insurance	1,315	1,039
Cash in lieu of benefits	1,500	4,800
Purchased services	2,250	2,160
Local travel	3,817	3,391
Workshops and conferences	860	1,124
Postage	8,371	-
Equipment repair and maintenance	228	331
Office supplies	7,612	7,613

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Office of the principal: (Continued)		
New equipment and furniture - non depreciable	\$ 2,972	\$ 4,538
Dues and fees	1,707	2,112
Miscellaneous	496	835
Total school administrative services	657,709	650,135
Business services:		
Fiscal services:		
Salaries:		
Business manager	86,690	85,240
Accounting	82,513	73,835
Employee benefits:		
Employee insurance	36,514	31,072
Board paid annuities	15,283	18,514
Tuition reimbursement	-	1,258
Retirement	26,657	23,069
Social Security	13,030	12,267
Workers' compensation insurance	532	408
Local travel	1,486	1,000
Workshops and conferences	1,003	390
Equipment repair and maintenance	5,333	5,705
Office supplies	4,491	3,226
New equipment and furniture - non depreciable	1,946	642
Dues and fees	343	432
	275,821	257,058
Other business services:		
Workers' compensation insurance	138	-
Insurance and bonds	10,648	46,025
Tax refunds	6,669	6,676
Miscellaneous	3,073	-
	20,528	52,701
Total business services	296,349	309,759
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Supervisor	47,717	46,781
Custodial	366,774	349,012
Maintenance	55,895	68,997
Overtime	57,851	40,914
Severance pay	2,102	-
Employee benefits:		
Employee insurance	121,471	107,363
Board paid annuities	4,533	3,976
Retirement	76,408	67,271
Social Security	40,491	39,354
Workers' compensation insurance	17,344	17,671
Unemployment compensation	18	-
Local travel	533	1,199
Workshops and conferences	55	150

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Operation and maintenance: (Continued)		
Telephone	\$ 24,083	\$ 1,526
Water and sewer	14,732	13,423
Waste and trash disposal	32,900	25,540
Other utility services	5,165	-
Property and liability insurance	39,696	-
Land/building repair and maintenance	62,503	53,139
Equipment repair and maintenance	3,906	6,475
Vehicle repair and maintenance	-	560
Other repair and maintenance	61,238	66,479
Other purchased services	4,275	-
Heating	102,602	92,378
Electricity	148,294	143,504
Custodial supplies	41,302	36,739
Gasoline, oil and grease	-	1,650
Office supplies	215	396
Uniforms	1,964	1,328
New equipment and furniture - depreciable	-	5,587
New equipment and furniture - non depreciable	4,459	1,684
Dues and fees	1,235	860
Miscellaneous	871	976
	<u>1,340,632</u>	<u>1,194,932</u>
Homeland security grant:		
Overtime	2,705	-
Employee benefits:		
Retirement	374	-
Social Security	207	-
Workers' compensation insurance	13	-
Local travel	49	-
Printing	2,225	-
Other purchased services	1,000	-
Miscellaneous supplies	206	-
	<u>6,779</u>	<u>-</u>
Total operation and maintenance services	1,347,411	1,194,932
Pupil transportation services:		
Pupil transportation:		
Drivers salaries	43,993	46,175
Employee benefits:		
Employee insurance	17,041	13,739
Retirement	6,593	5,681
Social Security	3,454	3,389
Workers' compensation insurance	2,720	2,778
Driver physicals	163	384
Local travel	394	-
Workshops and conferences	-	20,879
Telephone	47	157
Vehicle repair and maintenance	10,274	11,407
Other repair and maintenance	16,049	-
Equipment rental	3,097	600
Testing	170	303

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Pupil transportation: (Continued)		
Uniforms	\$ 424	\$ -
Gasoline, oil and grease	6,011	2,881
Tires, tubes and batteries	1,416	-
Miscellaneous	467	1,390
Total pupil transportation services	112,313	109,763
Central services:		
Technology services:		
Coordinators salaries	39,535	38,760
Other technical	32,060	27,509
Employee benefits:		
Employee insurance	12,158	10,633
Retirement	7,032	5,656
Social Security	5,478	5,070
Workers' compensation insurance	151	150
Contracted services	86,651	78,535
Other professional services	7,140	-
Local travel	383	203
Workshops and conferences	543	-
Telephone	336	784
Computer software	4,500	9,146
Internet services	187	5,643
Equipment repair and maintenance	395	-
Supplies	16,298	1,603
New equipment and furniture - depreciable	37,374	-
New equipment and furniture - non depreciable	67,848	17,506
Dues and fees	41	-
Miscellaneous	150	90
	318,260	201,288
Other central services:		
Tuition reimbursement	10,000	-
Total central services	328,260	201,288
Community services:		
Community activities:		
Miscellaneous supplies	303	-
Interdistrict:		
Special education tuition	231,736	323,802
Special education transportation	182,025	205,616
Special education itinerant services	440,003	-
Other	3,901	5,640
Total interdistrict	857,665	535,058
Total Expenditures	\$ 13,573,972	\$ 12,956,064

NONMAJOR FUNDS

GODFREY-LEE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2005

	Special Revenue	
	Food Service	Athletics
Assets		
Cash equivalents	\$ 196,553	\$ 8
Investments	-	-
Taxes receivable	-	-
Due from other governmental units	3,757	-
Inventory	5,313	-
	<u>5,313</u>	<u>-</u>
Total Assets	<u><u>\$ 205,623</u></u>	<u><u>\$ 8</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 19,611	\$ -
Deferred revenue	-	-
	<u>-</u>	<u>-</u>
Total Liabilities	<u>19,611</u>	<u>-</u>
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	186,012	8
	<u>186,012</u>	<u>8</u>
Total Fund Balances	<u>186,012</u>	<u>8</u>
Total Liabilities and Fund Balances	<u><u>\$ 205,623</u></u>	<u><u>\$ 8</u></u>

Debt Service			Capital Projects	Total
1997	2003	2005	Building and Site	
\$ 85,542	\$ 62,952	\$ 44,205	\$ 9,736	\$ 398,996
-	-	-	93,931	93,931
9,104	2,593	-	2,234	13,931
-	-	-	-	3,757
-	-	-	-	5,313
<u>\$ 94,646</u>	<u>\$ 65,545</u>	<u>\$ 44,205</u>	<u>\$ 105,901</u>	<u>\$ 515,928</u>
\$ -	\$ -	\$ -	\$ 18,102	\$ 37,713
9,104	2,593	-	2,234	13,931
<u>9,104</u>	<u>2,593</u>	<u>-</u>	<u>20,336</u>	<u>51,644</u>
85,542	62,952	44,205	-	192,699
-	-	-	85,565	85,565
-	-	-	-	186,020
<u>85,542</u>	<u>62,952</u>	<u>44,205</u>	<u>85,565</u>	<u>464,284</u>
<u>\$ 94,646</u>	<u>\$ 65,545</u>	<u>\$ 44,205</u>	<u>\$ 105,901</u>	<u>\$ 515,928</u>

GODFREY-LEE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2005

	Special Revenue	
	Food Service	Athletics
Revenues		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	3,713	-
Sales and admissions	111,916	17,929
Total local sources	115,629	17,929
State sources	34,573	-
Federal sources	423,423	-
Total Revenues	573,625	17,929
Expenditures		
Current:		
Food service	587,612	-
Athletics	-	190,319
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Bond issuance costs	-	-
Underwriter's discount	-	-
Total Expenditures	587,612	190,319
Excess (Deficiency) of Revenues Over Expenditures	(13,987)	(172,390)
Other Financing Sources (Uses)		
Refunding bonds issued	-	-
Bond premium	-	-
Transfers in	-	171,711
Payments to escrow agent	-	-
Total Other Financing Sources (Uses)	-	171,711
Net Change in Fund Balances	(13,987)	(679)
Fund Balances, July 1	199,999	687
Fund Balances, June 30	\$ 186,012	\$ 8

Debt Service			Capital Projects	Total
1997	2003	2005	Building and Site	
\$ 936,131	\$ 244,475	\$ -	\$ 238,508	\$ 1,419,114
6,962	3,014	44,205	2,187	60,081
-	-	-	-	129,845
943,093	247,489	44,205	240,695	1,609,040
-	-	-	-	34,573
-	-	-	-	423,423
943,093	247,489	44,205	240,695	2,067,036
-	-	-	-	587,612
-	-	-	-	190,319
-	-	-	170,561	170,561
350,000	180,000	-	20,000	550,000
356,939	45,008	-	1,701	403,648
101,857	-	-	-	101,857
63,278	-	-	-	63,278
872,074	225,008	-	192,262	2,067,275
71,019	22,481	44,205	48,433	(239)
11,505,000	-	-	-	11,505,000
22,264	-	-	-	22,264
-	-	-	-	171,711
(11,562,973)	-	-	-	(11,562,973)
(35,709)	-	-	-	136,002
35,310	22,481	44,205	48,433	135,763
50,232	40,471	-	37,132	328,521
\$ 85,542	\$ 62,952	\$ 44,205	\$ 85,565	\$ 464,284

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	2005			2004
	Budget	Actual	Variance - Positive (Negative)	Actual
Revenues				
Local sources:				
Interest earnings	\$ 3,000	\$ 3,713	\$ 713	\$ 1,021
Sales and admissions	121,900	111,916	(9,984)	118,115
Total local sources	124,900	115,629	(9,271)	119,136
State sources	34,649	34,573	(76)	27,967
Federal sources	401,000	423,423	22,423	364,109
Total Revenues	560,549	573,625	13,076	511,212
Expenditures				
Current:				
Food service	590,310	587,612	2,698	468,828
Net Change in Fund Balances	(29,761)	(13,987)	15,774	42,384
Fund Balances, July 1	199,999	199,999	-	157,615
Fund Balances, June 30	\$ 170,238	\$ 186,012	\$ 15,774	\$ 199,999

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	2005			2004
	Budget	Actual	Variance - Positive (Negative)	Actual
Revenues				
Local sources:				
Sales and admissions	\$ 17,700	\$ 17,929	\$ 229	\$ 17,278
Expenditures				
Current:				
Athletics	196,134	190,319	5,815	182,565
Excess (Deficiency) of Revenues Over Expenditures	(178,434)	(172,390)	6,044	(165,287)
Other Financing Sources				
Transfers in	178,434	171,711	(6,723)	165,891
Net Change in Fund Balances	-	(679)	(679)	604
Fund Balances, July 1	687	687	-	83
Fund Balances, June 30	\$ 687	\$ 8	\$ (679)	\$ 687

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash equivalents	\$ 196,553	\$ 12,000
Investments	-	185,227
Due from other funds	-	3,511
Due from other governmental units	3,757	-
Inventory	<u>5,313</u>	<u>6,246</u>
Total Assets	<u><u>\$ 205,623</u></u>	<u><u>\$ 206,984</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 19,611	\$ 6,985
Fund Balances		
Unreserved:		
Undesignated	<u>186,012</u>	<u>199,999</u>
Total Liabilities and Fund Balances	<u><u>\$ 205,623</u></u>	<u><u>\$ 206,984</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2005 and 2004

	2005	2004
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 46,802	\$ 42,641
Adult lunches	5,384	4,091
Milk	167	-
Ala carte	55,093	66,832
Banquets	4,326	-
Other	144	4,551
	<u>111,916</u>	<u>118,115</u>
Interest earnings:		
Interest on investments	3,713	1,021
Total local sources	<u>115,629</u>	<u>119,136</u>
State sources	34,573	27,967
Federal sources	<u>423,423</u>	<u>364,109</u>
Total Revenues	<u>573,625</u>	<u>511,212</u>
Expenditures		
Current:		
Food service:		
Food service salaries	193,158	153,711
Retirement	4,585	-
Social Security	2,359	-
Management fees	55,202	61,299
Audit fees	1,250	750
Telephone	33	222
Printing	1,191	-
Equipment repair and maintenance	3,980	2,993
Vehicle repair and maintenance	154	8,461
Food	204,161	152,521
Milk	38,227	46,480
Nonedible supplies	24,828	17,395
Gasoline, oil and grease	115	76
Other supplies and materials	8,648	18,728
New equipment and furniture - non depreciable	10,098	3,398
Replacement equipment and furniture - non depreciable	-	2,599
New vehicles	25,669	-
Miscellaneous	13,954	195
	<u>587,612</u>	<u>468,828</u>
Total Expenditures	<u>587,612</u>	<u>468,828</u>
Net Change in Fund Balances	(13,987)	42,384
Fund Balances, July 1	<u>199,999</u>	<u>157,615</u>
Fund Balances, June 30	<u><u>\$ 186,012</u></u>	<u><u>\$ 199,999</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash equivalents	<u>\$ 8</u>	<u>\$ 1,256</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ 569</u>
Fund Balances		
Unreserved:		
Undesignated	<u>8</u>	<u>687</u>
Total Liabilities and Fund Balances	<u>\$ 8</u>	<u>\$ 1,256</u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2005 and 2004

	2005	2004
Revenues		
Local sources:		
Sales and admissions:		
Athletic admissions	\$ 17,114	\$ 17,089
Fees, sales and donations	815	189
Total Revenues	<u>17,929</u>	<u>17,278</u>
Expenditures		
Current:		
Athletics:		
Salaries:		
Director	20,300	16,689
Coaches	79,228	81,541
Drivers	8,096	7,725
Custodial	1,692	-
Employee benefits:		
Employee insurance	4,375	3,858
Board paid annuities	1,929	1,585
Retirement	16,529	13,647
Social Security	8,477	8,217
Workers' compensation insurance	784	748
Unemployment compensation	1,187	1,019
Officials	12,068	11,111
Trainer	3,000	2,260
Workshops and conferences	3,403	377
Telephone	329	927
Student insurance	2,025	2,000
Contracted labor	4,963	4,393
Office supplies	905	1,317
New furniture and equipment	17,858	21,774
Dues and fees	2,055	2,125
Miscellaneous	1,116	1,252
Total Expenditures	<u>190,319</u>	<u>182,565</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(172,390)</u>	<u>(165,287)</u>
Other Financing Sources		
Transfers in	<u>171,711</u>	<u>165,891</u>
Net Change in Fund Balances	(679)	604
Fund Balances, July 1	<u>687</u>	<u>83</u>
Fund Balances, June 30	<u><u>\$ 8</u></u>	<u><u>\$ 687</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

GODFREY-LEE PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2005

	<u>1997</u>	<u>2003</u>	<u>2005</u>
Assets			
Cash equivalents	\$ 85,542	\$ 62,952	\$ 44,205
Investments	-	-	-
Taxes receivable	<u>9,104</u>	<u>2,593</u>	<u>-</u>
Total Assets	<u><u>\$ 94,646</u></u>	<u><u>\$ 65,545</u></u>	<u><u>\$ 44,205</u></u>
 Liabilities and Fund Balances			
Liabilities			
Deferred revenue	<u>\$ 9,104</u>	<u>\$ 2,593</u>	<u>\$ -</u>
Fund Balances			
Reserved for debt service	<u>85,542</u>	<u>62,952</u>	<u>44,205</u>
Total Liabilities and Fund Balances	<u><u>\$ 94,646</u></u>	<u><u>\$ 65,545</u></u>	<u><u>\$ 44,205</u></u>

Totals	
2005	2004
\$ 192,699	\$ -
-	90,703
11,697	14,612
<u>\$ 204,396</u>	<u>\$ 105,315</u>

<u>\$ 11,697</u>	<u>\$ 14,612</u>
192,699	90,703
<u>\$ 204,396</u>	<u>\$ 105,315</u>

GODFREY-LEE PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2005

	1997	2003	2005
Revenues			
Local sources:			
Property taxes:			
Current property taxes	\$ 918,219	\$ 239,793	\$ -
Industrial facilities taxes	5,743	1,500	-
Delinquent property taxes	2,813	738	-
Interest on delinquent taxes	5,631	1,471	-
Other taxes	3,725	973	-
	936,131	244,475	-
Interest earnings:			
Interest on deposits	6,962	3,014	44,205
Total Revenues	943,093	247,489	44,205
Expenditures			
Debt service:			
Principal repayment	350,000	180,000	-
Interest and fiscal charges:			
Interest expense	355,969	44,553	-
Paying agent fees	300	250	-
Tax refunds	670	205	-
Bond issuance costs	101,857	-	-
Underwriter's discount	63,278	-	-
Total Expenditures	872,074	225,008	-
Excess (Deficiency) of Revenues Over Expenditures	71,019	22,481	44,205
Other Financing Sources (Uses)			
Refunding bonds issued	11,505,000	-	-
Bond premium	22,264	-	-
Loan proceeds	-	-	-
Transfers in	-	-	-
Other	-	-	-
Payments to escrow agent	(11,562,973)	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	(35,709)	-	-
Net Change in Fund Balances	35,310	22,481	44,205
Fund Balances, July 1	50,232	40,471	-
Fund Balances, June 30	\$ 85,542	\$ 62,952	\$ 44,205

Totals	
2005	2004
\$ 1,158,012	\$ 1,122,455
7,243	9,538
3,551	5,489
7,102	6,419
4,698	4,692
1,180,606	1,148,593
54,181	3,683
1,234,787	1,152,276
530,000	510,000
400,522	712,882
550	550
875	-
101,857	-
63,278	-
1,097,082	1,223,432
137,705	(71,156)
11,505,000	-
22,264	-
-	90,774
-	22,628
-	3,493
(11,562,973)	-
-	(22,628)
(35,709)	94,267
101,996	23,111
90,703	67,592
\$ 192,699	\$ 90,703

CAPITAL PROJECTS FUND

Building and Site—to account for property tax revenues and interest earnings used to finance building restoration projects.

GODFREY-LEE PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash equivalents	\$ 9,736	\$ 28,785
Investments	93,931	8,347
Taxes receivable	<u>2,234</u>	<u>2,747</u>
Total Assets	<u><u>\$ 105,901</u></u>	<u><u>\$ 39,879</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 18,102	\$ -
Deferred revenue	<u>2,234</u>	<u>2,747</u>
Total Liabilities	<u>20,336</u>	<u>2,747</u>
Fund Balances		
Reserved for capital outlay	<u>85,565</u>	<u>37,132</u>
Total Liabilities and Fund Balances	<u><u>\$ 105,901</u></u>	<u><u>\$ 39,879</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2005 and 2004

	2005	2004
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 233,946	\$ 214,406
Industrial facilities taxes	1,463	1,822
Delinquent property taxes	715	1,039
Other property taxes	949	896
Interest on delinquent taxes	1,435	1,178
Total property taxes	<u>238,508</u>	<u>219,341</u>
Interest earnings:		
Interest on deposits and investments	<u>2,187</u>	<u>873</u>
Total Revenues	<u>240,695</u>	<u>220,214</u>
Expenditures		
Capital outlay:		
Buildings and additions	170,395	368,746
Tax refunds	166	-
	<u>170,561</u>	<u>368,746</u>
Debt service:		
Principal repayment	20,000	20,000
Interest and fiscal charges:		
Interest expense	1,000	1,980
Paying agent fees	701	350
	<u>21,701</u>	<u>22,330</u>
Total Expenditures	<u>192,262</u>	<u>391,076</u>
Net Change in Fund Balances	48,433	(170,862)
Fund Balances, July 1	<u>37,132</u>	<u>207,994</u>
Fund Balances, June 30	<u><u>\$ 85,565</u></u>	<u><u>\$ 37,132</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

GODFREY-LEE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2005

	<u>Balances July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2005</u>
Assets				
Cash equivalents and deposits	<u>\$ 21,120</u>	<u>\$ 133,722</u>	<u>\$ 128,556</u>	<u>\$ 26,286</u>
Liabilities				
Due to student groups	<u>\$ 21,120</u>	<u>\$ 133,722</u>	<u>\$ 128,556</u>	<u>\$ 26,286</u>

OTHER INFORMATION

GODFREY-LEE PUBLIC SCHOOLS
Summary of 2004 Taxes Levied and Collected
For the year ended June 30, 2005

	<u>City of Wyoming</u>
Taxable Valuations	
Operating	\$ 48,466,262
Debt Service/Building and Site	117,403,226
Rates (Mills)	
General Fund	18.0000
1997 Debt Service Fund	7.8500
2003 Debt Service Fund	2.0500
Building and Site Fund	2.0000
	<u>29.9000</u>
Taxes Levied 2004 Rolls	
General Fund	\$ 872,391
1997 Debt Service Fund	921,608
2003 Debt Service Fund	240,675
Building and Site Fund	234,805
	<u>2,269,479</u>
Taxes Uncollected 2004 Rolls	
General Fund	6,643
1997 Debt Service Fund	2,897
2003 Debt Service Fund	756
Building and Site Fund	738
	<u>11,034</u>
Taxes Collected 2004 Rolls	
General Fund	865,748
1997 Debt Service Fund	918,711
2003 Debt Service Fund	239,919
Building and Site Fund	234,067
	<u>2,258,445</u>
Delinquent Taxes Collected	
General Fund	7,084
1997 Debt Service Fund	2,813
2003 Debt Service Fund	738
Building and Site Fund	715
	<u>11,350</u>
Total Taxes Collected	
General Fund	872,832
1997 Debt Service Fund	921,524
2003 Debt Service Fund	240,657
Building and Site Fund	234,782
	<u>\$ 2,269,795</u>
Taxes Uncollected – June 30, 2005	
General Fund:	
2004	\$ 6,643
2003	6,566
2002	6,642
	<u>19,851</u>

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
Summary of 2004 Taxes Levied and Collected
For the year ended June 30, 2005

	<u>City of Wyoming</u>
Taxes Uncollected – June 30, 2005 (Continued)	
1997 Debt Service Fund:	
2004	\$ 2,897
2003	3,625
2002	2,582
	<hr/> 9,104
2003 Debt Service Fund:	
2004	756
2003	752
2002	1,085
	<hr/> 2,593
Building and Site Fund:	
2004	738
2003	685
2002	811
	<hr/> 2,234
	<hr/>
Total Taxes Uncollected	<hr/> \$ 33,782 <hr/>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

August 19, 2005

The Board of Education
Godfrey-Lee Public Schools

The following comments pertain to our audit of the financial records of Godfrey-Lee Public Schools as of and for the year ended June 30, 2005. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Godfrey-Lee Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Godfrey-Lee Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Godfrey-Lee Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Godfrey-Lee Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Godfrey-Lee Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Godfrey-Lee Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Godfrey-Lee Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statement of Godfrey-Lee Public Schools for the year ended June 30, 2005. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit no adjustments of a significant nature were made to the accounting records of the District:

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Godfrey-Lee Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Godfrey-Lee Public Schools to the Business Manager and Accountant as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

Other Comments

The General Fund balance of the District increased by \$241,182 to \$3,040,633 at June 30, 2005. This balance represents 20.67 percent of the District's 2005-06 expenditure budget. Maintaining a fund balance of at least 20 percent of the ensuing year's expenditure budget is advisable for Godfrey-Lee Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Godfrey-Lee Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Godfrey-Lee Public Schools
August 19, 2005
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This communication is intended solely for the information and use of the Godfrey-Lee Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Godfrey-Lee Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Barten, P.C.

Certified Public Accountants

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